

Highway Fund Transfers

Department of Public Instruction, Driver Education Program

Funding History:

- 1957 – Driver Training and Safety Education Fund established (Chapter 682, HB 33)
 - Supported by a \$1 increase in vehicle registration fees exceeding \$10
 - Collections directed to a special account for transfer to the State Board of Education
- 1975 – Fee raised to \$2
- 1977 – Fee raised to \$3
- 1985 – Funding shifted to the General Fund (Chapter 982, SB 866 (Sec. 25))
- 1991 – Funding shifted to the Highway Fund (S.L. 1991-689, Sec. 32)

Background Information:

- North Carolina is the only state to fully fund driver education from its Highway Fund without a dedicated revenue source.
 - 7 other states fully fund programs, 10 partially fund, and 32 provide no funding;
 - 42 states have adopted driver education requirements, though program design and costs vary widely; and,
 - Several states which partially fund driver education also authorize localities to charge fees.
- Highway Funds are appropriated annually for transfer to the Department of Public Instruction (G.S. 20-88.1)
- DPI serves as the program's fiscal agent:
 - \$15,000 is withheld for the printing/distribution of Driver Eligibility Certificates
 - Remaining funds are allotted to the 115 local education agencies (LEAs) based on 9th grade Average Daily Membership (ADM).
- Local education agencies (LEAs) are responsible for program management:
 - LEAs select their own curriculum to meet the required 30 hours of classroom instruction and 6 hours of behind-the-wheel instruction (G.S. 115C-215, 115C-216, 20-88.1).
 - LEAs also determine their operational structure (i.e. in-house training vs. contracted training).
 - An Office of State Budget and Management (OSBM) CY 2010 survey of 94 (of 115) LEAs found that: 55.3% provide training in-house, 22.3% fully contract, 12.8% contract for instruction but provide vehicles and supplies, and 9.6% provide a combination of contractual and in-house training.
 - Private training school fees range from \$275 - \$400, depending upon the scope of instruction and market forces

Cost Per Student that Completed Driver Education by Type of Program for Fiscal Years 2008 through 2010				
Type of Program	Number of Programs	Percent of Programs	Average Cost Range	Average Cost
In-House by LEA	52	55.3%	\$183.98 - \$611.95	\$323.23
Contractor	21	22.3%	\$172.97 - \$369.65	\$265.93
Instruction Contracted, but LEA Provides Vehicles & Supplies	12	12.8%	\$176.93 - \$598.00	\$354.10
Combination of Contractor & LEA	9	9.6%	\$252.42 - \$421.05	\$328.46
Total	94	100.0%	\$172.97 - \$611.95	\$321.82
<i>Source: OSBM November 2010 Management Review - "North Carolina's Driver Education Program"</i>				

- LEAs utilize allotments to pay for all students enrolled in public, private, and home schools.
- *Training is provided to the student at no charge.*
 - OSBM survey found that 85.6% (92,211) of the 107,783 students eligible for driver education in the 2009-10 school year actually enrolled in the program.
 - Of those enrolled, 85,029 completed (92.2%) the program.

- Per S.L. 2010-31, the Department of Public Instruction is instituting a standardized driver education curriculum for the 2011-12 school year
 - Curriculum applies to all programs receiving State funds
 - Draft standard curriculum was approved by the State Board of Education on March 2, 2011
 - <http://www.ncpublicschools.org/docs/stateboard/meetings/2011/03/hrs/03hrs02.pdf>
- Governor's Recommended FY 2011-13 Budget:
 - FY 2011-12 appropriations reduced by 133,468 – to \$31,888,496
 - FY 2012-13 appropriations increased by \$194,415 – to \$32,216,379
 - Adjustments correspond with projected 9th grade average daily membership (ADM)
 - FY 2011-12 – ADM decreases by 635 students (134,991 total)
 - FY 2012-13 – ADM increases by 753 students (136,379 total)
 - Per pupil appropriations are held constant at \$236.23

Additional Options for Consideration:

A. Reduce Program Funding (ex. 5% reduction)

Potential Savings: \$1.6M

- Option does not alter LEA administrative responsibilities.
- Example reduction level corresponds with historical reversions (\$1.8M).
- Upon implementation, LEAs may be required to reduce program costs accordingly or to make up the difference between actual costs and historical allotments.
- Cost efficiencies may also be achieved through increased contracting with private training schools; however, private capacity is not consistent across all geographic regions.

B. Increase Revenues to Offset Costs

Potential Savings: \$32M

Alternative 1 – LEA Fee Authorization

- Amend statutes to authorize LEAs to assess fees up to the level necessary to offset program costs.
- Students and families become principally responsible for supporting training costs; however, local support continues to be optional.
- Per varying student participation, program costs, and local funding, the level of fee assessed by each LEA may vary.
 - A standard fee may generate excess collections for an agency, but insufficient collections for another.
- Option increases LEA administrative responsibilities.
- Responsibility for printing and distributing Driver Eligibility Certificates may be shifted to the LEAs, or other funds can be identified to offset Department of Public Instruction costs (\$15,000 reserve).
- Potential for continued fragmentation among program operations and funding.
- Fees may act as a disincentive to obtaining a license, resulting in a decline in driver license collections.

Alternative 2 – Division of Motor Vehicle Fees

- Increase driver license, vehicle registration, or other Division of Motor Vehicles (DMV) fees (e.g. license/DWI restoration fees, driving clinic fees, title fees, etc.) to offset costs.
- Direct collections to a special account within the Highway Fund for transfer to the Department of Public Instruction.
- Funding source is correlated to demographic changes and economic activity.
- Potential for collections to exceed desired per pupil appropriations, if unspecified or not capped.
- Costs increase for all drivers, vehicle owners, and applicable private parties.

- Per FY 2009-10 transactions, and no assumed change in volume:
 - Increasing standard plate fees (cars and non-IRP trucks) by \$4.00 generates roughly \$34M.
 - Increasing driver license annual fees by \$1.00, and fees for identification cards, learner permits, provisional licenses (level 2), and duplicates by \$5.00 generates roughly \$14.5M.

*Approximate estimates for illustration, subject to updated data.

Alternative 3 – Vehicle Insurance Policy Surcharge

- Establish a surcharge on vehicle insurance policies.
- Direct collections to the General Fund or other designated fund to support the Driver Education program.
- Potential for collections to exceed desired per pupil appropriations, if unspecified or not capped.
- Costs increase for all policy holders/drivers.
- Preliminary estimates (assumes 7 million registered vehicles) indicate that a 1.3% surcharge on insurance policies generates roughly \$32M in annual receipts.
 - Using a \$435 annual policy as an example, a 1.3% surcharge equates to an additional annual cost of roughly \$5.60.

*Approximate estimates for illustration, subject to updated data.

C. Adjust Licensing Policy / Eliminate Highway Fund Transfer

Potential Savings: \$32M

Research on the effectiveness of driver education is inconclusive. In contrast, research on graduated driver licensing indicates a positive impact on safety/crash rates. North Carolina's graduated driver licensing system incorporates driver education into the permitting process. Those ages 15-18 may receive limited learner permits by presenting a driving eligibility certificate – issued by the community college or local private, public, or home school upon completion of the program – or a high school diploma. Persons age 18 or older are eligible for learner permits and are not required to receive the same level of instruction as those ages 15-18.

- Amend licensing laws to eliminate the driver education program and remove the driving eligibility certificate requirement for permit issuance.
 - Allow a learner permit to be issued to those ages 15 or above, maintaining graduated licensing requirements.
- Potential impact on driver safety and crash rates is unclear.
- Elimination of the program and funding removes the need for public driver education instructors and reduces demand for credentialing agencies, principally commercial driving schools, the Division of Motor Vehicles, and East Carolina University.
- Potential revenue losses for commercial driving schools, per reduced LEA contracting.
- Additional cost savings per DMV staffing reductions.